

WORKING WITH MCC

OVERVIEW OF STEPS AND PROCESSES

The process of developing a proposal for MCA funding is intensive and rigorous, and likely to take months of cooperative, hard work. The following summarizes what is expected as a country develops a Compact program proposal and requests MCA funding.

I. PROPOSAL DEVELOPMENT AND PRELIMINARY ASSESSMENT

MCC will provide guidance to eligible countries on the consultation and compact development process, so that they can begin to identify their primary constraints to poverty reduction and sustainable economic growth. The first steps that a country will need to undertake are:

- (i) Identify a full-time point of contact (POC) to lead the country's program development process and to manage its day-to-day relationship with MCC.
- (ii) Identify a core team (led by the POC) that is empowered to run the MCA process, enjoys a high level of political commitment, and has access to senior officials so that it can quickly make decisions and stay actively engaged. Countries that have assigned personnel full-time to the MCA process and have dedicated financial and administrative resources have developed their proposals and moved to Compact faster.
- (iii) Carry out a timely, participatory and meaningful consultative process with the country's civil society, non-governmental organizations and private sector in order to identify key constraints to economic growth and poverty reduction, and priority activities to help address such constraints. Such consultation should be ongoing as the country's Compact proposal is developed and continue throughout the implementation phase.

Based on the results of the consultative process, the country will provide its Compact proposal to MCC describing a program of activities for MCA funding. An MCC Transaction Team (TT) consisting of relevant MCC staff and technical experts will provide guidance and feedback with respect to MCC objectives, evaluation methods, and requirements.

Once a country has submitted a proposal, the TT will conduct a preliminary assessment of the proposal and, if necessary, work with the country to refine the proposal. When appropriate, the TT will prepare an **Opportunity Memorandum** for the MCC Investment Committee (IC) describing the proposed program and requesting resources for a full due diligence review of the activities proposed.

II. DUE DILIGENCE

Once full due diligence resources have been authorized, the TT will carry out a detailed review of the country's proposal. Due diligence will focus on, *inter alia*, the country's strategy for economic growth and poverty reduction; the consultative process; any policy reform plans; how progress will be measured; fiscal accountability; monitoring and evaluation; donor coordination; and environmental and social (including gender, resettlement, indigenous people, etc.)

safeguards. For each component of the proposal, due diligence will address technical, economic and environmental feasibility as well as implementation issues and sustainability.

When the TT determines it has sufficient information and understanding with respect to the country's proposed MCC program to justify entering into negotiations with the country regarding the terms of the Compact, the TT prepares a **Consultation Memorandum** for the IC recommending that MCC begin the required 15 day consultation with the United States Congress. (Under MCC's authorizing legislation, MCC is required to undertake a 15 day consultation period with Congress prior to the start by MCC of negotiations of a Compact with an eligible country.)

III. COMPACT NEGOTIATION

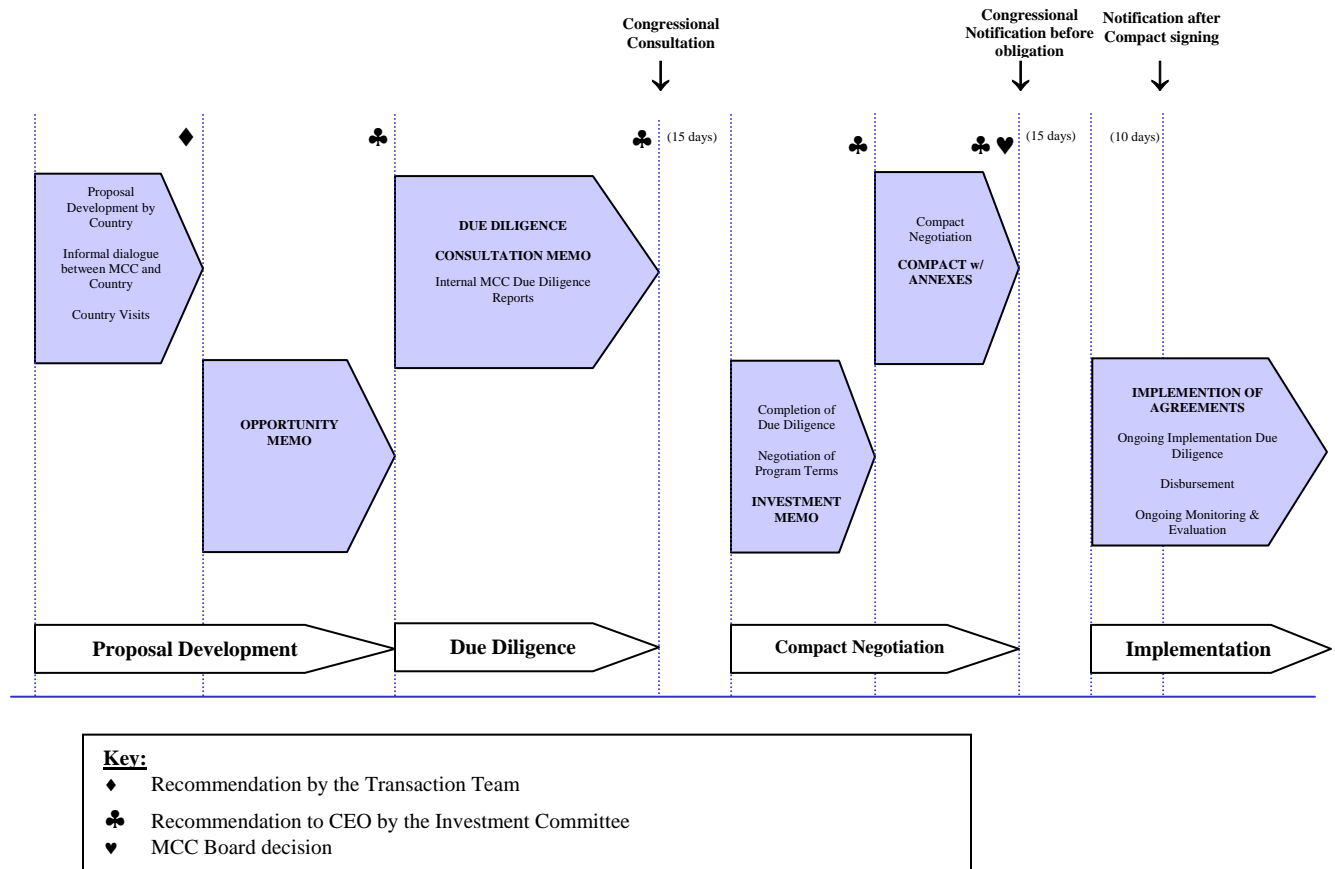
After the required consultation with Congress, the TT will complete due diligence, negotiate the terms of the Compact with the country and prepare an **Investment Memorandum** to the IC which describes the proposed terms of the Compact, provides an analysis of the program and makes a recommendation to the IC that the TT finalize the text of the Compact and submit it to the MCC Board of Directors for approval. Once the text of the Compact is agreed with the country, the Compact is formally submitted to the MCC Board for approval.

IV. BOARD APPROVAL, COMPACT SIGNING AND IMPLEMENTATION

Upon approval by the MCC Board, MCC will notify Congress at least 15 days prior to the signing of the Compact.

After Compact signing, the TT and the country complete additional ancillary documents to permit the Compact to enter into force and begin disbursements. After entry into force, the Compact funds are obligated and implementation of the country's MCA program can commence, subject to the satisfaction of any ongoing conditions to the disbursement of funds.

The following chart illustrates the various stages of the MCC Compact development processes:



Opportunity Memorandum: This document describes the country’s proposed MCC program, including an initial assessment of whether it has promise and effectively reflects basic MCC principles (poverty reduction, growth impact, consultative process, measurable results, etc.). The Opportunity Memorandum makes a recommendation to the Investment Committee to deploy MCC resources to conduct a full and detailed due diligence exercise on those elements of the proposed program that merit due diligence.

Due Diligence: Due diligence will focus on, *inter alia*, the country’s strategy for economic growth and poverty reduction; the consultative process; any policy reform plans; what is expected to be achieved; how progress will be measured; the merits and risks of each component of the program; fiscal accountability; monitoring and evaluation; donor coordination; the beneficiaries, disaggregated by income level, gender and age, where practical, and environmental and social (including gender, resettlement, indigenous people, etc.) safeguards.

Consultation Memorandum: The Consultation Memorandum makes a recommendation to the Investment Committee that MCC commence consultations with Congress. Such 15 day consultation period is required under MCC’s authorizing legislation prior to the start by MCC of negotiations of a Compact with an eligible country.

Investment Memorandum: The Investment Memorandum serves as the basis for decision making and, as such, describes the proposed terms of the Compact, provides an analysis of the program (based on the results of the due diligence) and makes a recommendation to the Investment Committee that MCC complete negotiations with the country over the text and terms of the Compact document.

Compact with Annexes: Serves as the obligating agreement between MCC and MCC eligible countries.